

**ORIGINAL**

**OPEN MEETING**



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**MEMORANDUM**

Arizona Corporation Commission

**DOCKETED**

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2012 AUG 20 P 2:52

TO: THE COMMISSION

AUG 20 2012

FROM: Utilities Division

DOCKETED BY

*DM*

ARIZONA CORPORATION COMMISSION  
DOCKET CONTROL

DATE: August 20, 2012

RE: MOHAVE ELECTRIC COOPERATIVE, INC. - APPLICATION FOR APPROVAL  
OF NET METERING TARIFF REVISIONS (DOCKET NO. E-01750A-12-0337)

**Background**

On July 25, 2012 (ten days after the required filing date), Mohave Electric Cooperative, Inc. ("MEC") filed an application for approval to update the annual average avoided cost contained in its Net Metering Service Tariff (Schedule NMS). MEC's Net Metering Service Tariff was approved by the Commission in Decision No. 71461 (January 26, 2010) and most recently revised in Decision No. 72589 (September 15, 2011).

Net Metering allows electric utility customers to be compensated for generating their own energy from renewable resources, fuel cells, or Combined Heat and Power. If the customer's energy production exceeds the energy supplied by MEC during a billing period, the customer's bill for subsequent billing periods is credited for the excess generation. That is, the excess kWh generated during the billing period is used to reduce the kWh billed by MEC during subsequent billing periods.

For the last billing period of the calendar year (or for a customer's final bill upon discontinuance of service), MEC credits the customer for the balance of any remaining excess kWh. The payment for the purchase of these excess kWh is at MEC's annual average avoided cost, which is specified on the Net Metering Service Tariff. A.A.C. R14-2-2302(1) defines avoided cost as "the incremental cost to an Electric Utility for electric energy or capacity or both which, but for the purchase from the Net Metering facility, such utility would generate itself or purchase from another source."

MEC's Net Metering Service Tariff provides for the annual average avoided cost to be determined by the average wholesale fuel and energy cost per kWh charged by MEC's wholesale power suppliers during the 12-month period. MEC is required to file its updated annual average avoided cost calculations for Commission approval no later than July 15 of each year. The updated annual average avoided cost, once approved by the Commission, would become effective on December 1 following the annual filing of the updated annual average avoided cost, unless suspended or otherwise ordered by the Commission, prior thereto.

MEC's current approved annual average avoided cost rate is \$0.03912 per kWh. MEC proposes that the rate be decreased slightly to \$0.0338 per kWh. Staff has reviewed MEC's



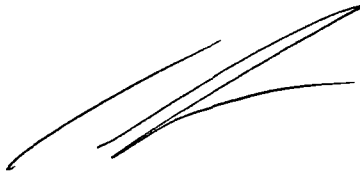
purchased power costs that resulted in the \$0.0338 per kWh rate and confirms that the proposed rate reflects MEC's avoided cost.

Therefore, Staff recommends that MEC's proposed annual average avoided cost for its Net Metering Tariff of \$0.0338 per kWh be approved, and become effective December 1, 2012.

**Recommendations**

Staff recommends that Mohave Electric Cooperative, Inc.'s annual average avoided cost be approved at \$0.0338 per kWh, effective December 1, 2012.

Staff further recommends that Mohave Electric Cooperative, Inc. be required to file, with Docket Control, a revised Net Metering Service Tariff in compliance with the Decision in this case within 15 days of the effective date of the Decision.



Steven M. Olea  
Director  
Utilities Division

SMO:JJP:sms\SH

ORIGINATOR: Jeffrey Pasquinelli



1 **BEFORE THE ARIZONA CORPORATION COMMISSION**

2 GARY PIERCE

Chairman

3 BOB STUMP

Commissioner

4 SANDRA D. KENNEDY

Commissioner

5 PAUL NEWMAN

Commissioner

6 BRENDA BURNS

Commissioner

7  
8 IN THE MATTER OF THE APPLICATION )  
9 OF MOHAVE ELECTRIC COOPERATIVE, )  
10 INC. FOR APPROVAL OF NET METERING )  
11 TARIFF REVISIONS )  
12 )

DOCKET NO. E-01750A-12-0337

DECISION NO. \_\_\_\_\_

ORDER

12 Open Meeting  
13 September 19 and 20, 2012  
14 Phoenix, Arizona

14 BY THE COMMISSION:

15 FINDINGS OF FACT

16 1. Mohave Electric Cooperative, Inc. ("MEC") is certificated to provide electric  
17 service as a public service corporation in the State of Arizona.

18 2. On July 25, 2012 (ten days after the required filing date), MEC filed an application  
19 for approval to update the annual average avoided cost contained in its Net Metering Service Tariff  
20 (Schedule NMS).

21 3. MEC's Net Metering Service Tariff was approved by the Commission in Decision  
22 No. 71461 (January 26, 2010) and most recently revised in Decision No. 72589 (September 15,  
23 2011).

24 4. Net Metering allows electric utility customers to be compensated for generating  
25 their own energy from renewable resources, fuel cells, or Combined Heat and Power. If the  
26 customer's energy production exceeds the energy supplied by MEC during a billing period, the  
27 customer's bill for subsequent billing periods is credited for the excess generation. That is, the  
28 excess kWh generated during the billing period is used to reduce the kWh billed by MEC during



subsequent billing periods.

5. For the last billing period of the calendar year (or for a customer's final bill upon discontinuance of service), MEC credits the customer for the balance of any remaining excess kWh. The payment for the purchase of these excess kWhs is at MEC's annual average avoided cost, which is specified on the Net Metering Service Tariff. A.A.C. R14-2-2302(1) defines avoided cost as "the incremental cost to an Electric Utility for electric energy or capacity or both which, but for the purchase from the Net Metering facility, such utility would generate itself or purchase from another source."

6. MEC's Net Metering Service Tariff provides for the annual average avoided cost to be determined by the average wholesale fuel and energy cost per kWh charged by MEC's wholesale power suppliers during the 12-month period. MEC is required to file its updated annual average avoided cost calculations for Commission approval no later than July 15 of each year. The updated annual average avoided cost, once approved by the Commission, would become effective on December 1 following the annual filing of the updated annual average avoided cost, unless suspended or otherwise ordered by the Commission, prior thereto.

7. MEC's current approved annual average avoided cost rate is \$0.03912 per kWh. MEC proposes that the rate be decreased slightly to \$0.0338 per kWh. Staff has reviewed MEC's purchased power costs that resulted in the \$0.0338 per kWh rate and confirms that the proposed rate reflects MEC's avoided cost.

8. Staff has recommended that MEC's proposed annual average avoided cost for its Net Metering Tariff of \$0.0338 per kWh be approved, and become effective December 1, 2012.

### **Recommendations**

9. Staff has recommended that MEC's annual average avoided cost be approved at \$0.0338 per kWh, effective December 1, 2012.

10. Staff has further recommended that MEC be required to file, with Docket Control, a revised Net Metering Service Tariff (Schedule NMS) consistent with the Decision in this case within 15 days of the effective date of the Decision.



CONCLUSIONS OF LAW

1  
2 1. Mohave Electric Cooperative, Inc. is an Arizona public service corporation within  
3 the meaning of Article XV, Section 2, of the Arizona Constitution.

4 2. The Commission has jurisdiction over Mohave Electric Cooperative, Inc. and over  
5 the subject matter of the application.

6 3. Approval of the updated Net Metering Service Schedule NMS does not constitute a  
7 rate increase as contemplated by A.R.S. Section 40-250.

8 4. The Commission, having reviewed the application and Staff's Memorandum dated  
9 August 20, 2012, concludes that the updated Net Metering Service Tariff (Schedule NMS) should  
10 be approved as discussed herein.

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ORDER

IT IS THEREFORE ORDERED that Mohave Electric Cooperative, Inc.'s annual average avoided cost be approved at \$0.0338 per kWh, effective December 1, 2012.

IT IS FURTHER ORDERED that Mohave Electric Cooperative, Inc. shall file, with Docket Control, a revised Net Metering Service tariff consistent with this Decision within 15 days of the effective date of the Decision.

IT IS FURTHER ORDERED that this Decision shall become effective immediately.

**BY THE ORDER OF THE ARIZONA CORPORATION COMMISSION**

CHAIRMAN

COMMISSIONER

COMMISSIONER

COMMISSIONER

COMMISSIONER

IN WITNESS WHEREOF, I, Ernest G. Johnson, Executive Director of the Arizona Corporation Commission, have hereunto, set my hand and caused the official seal of this Commission to be affixed at the Capitol, in the City of Phoenix, this \_\_\_\_\_ day of \_\_\_\_\_, 2012.

ERNEST G. JOHNSON  
EXECUTIVE DIRECTOR

DISSENT: \_\_\_\_\_

DISSENT: \_\_\_\_\_

SMO:JJP:sms\SH



1 SERVICE LIST FOR: MOHAVE ELECTRIC COOPERATIVE, Inc.  
2 DOCKET NO. E-01750A-12-0337

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